

OptionProfessor.com Quick Alert

August 2nd, 2022

STOCKS-AUGUST & SEPT-SEASONAL RISK?



BY THE OPTION PROFESSOR

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**OptionProfessor Alert:
0802/22 - Stocks-August & Sept-Seasonal Risk?**

The stock market has taken a bit of a breather to start the week but the SPX hit one of our targets at 4150 and turned down PLUS the VIX is in the 24's (break ABOVE 25?) and AAPL trading UNDER 162-155 could ease stock prices. Closing prices on SPX UNDER 4080 and AAPL UNDER 160-155 needed to get the ball rolling...still possible run 4200-4275-4350

BIG NEWS! We see the seasonal history of AUGUST & SEPT being lousy months for stocks as worthy of mention. For the last 25 years they have produced results WORSE than other months and are a prelude to some of the best months for stocks which are OCT NOV DEC.. The JOLTS report shows still about 2 jobs for every job seeker and FRIDAY Jobs report may show some relief but not a lot (watch for wages)...maybe hours worked could ease because of summer. Geopolitical events have been INFLATIONARY this year (Ukraine) and if China gets frisky (Pelosi) it could add to Fed woes.

A full BEAR MARKET BOUNCE could take SPX toward 4350 (61.8% retracement) so until a break; we must respect it.

TWO SCHOOLS OF THOUGHT

#1 Bad news has been priced in which is why markets rally on not great earnings and bad news. Positioning in the futures is the most bearish since 2016 and Bank of America survey showed retail investors have largest cash positions and least amount of stock exposure since 2001 and 2008. Earnings will surprise on the upside and inflation and labor will soften leading the Fed to be slowing the pace of hikes to a crawl after the Sept hike. Earnings & P/E expansion.

#2 The stock market has price in the VALUATION COMPRESSION during the drop to SPX 3630 (RIGHT Now at 2.28 SPX earnings X 18 = 4104). The AVERAGE P/E RATIO is 15, during Covid 13 (Fed aided), GFC 8. Maybe 14-16 P/E worst case. What has NOT BEEN priced in is a EARNINGS COMPRESSION which may be coming. Forget about "beat estimates" and look at year over year comparisons on both TOPLINE & BOTTOM LINE and you will see slower numbers (AMZN-AAPL) or outright declines. Second half of 2022 earnings estimates and certainly 2023 earnings estimates have not been cut to the degree that they may in the coming months. Fed HIKES past 4%..Earnings CUT...Stocks reprice lower/P/E's lowered

At this point; both scenarios are potentially plausible. The OPTION PROFESSOR has ENCOURAGED YOU for over 2 years to get the PDF REPORTS and set up a

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